

ARIZONA HOUSE OF REPRESENTATIVES  
Fifty-second Legislature – Second Regular Session  
**COMMITTEE ON INSURANCE**  
Report of Regular Meeting  
Wednesday, January 27, 2016  
House Hearing Room 4 -- 10:00 A.M.

MINUTES RECEIVED  
CHIEF CLERK'S OFFICE

1-27-16

**Convened** 10:08 A.M.

**Recessed**

**Reconvened**

**Adjourned** 11:44 A.M.

**Members Present**

Mr. Coleman  
Ms. Larkin  
Mr. Lovas  
Ms. McCune Davis  
Ms. Otondo  
Mr. Robson  
Mr. Livingston, Vice-Chairman  
Ms. Fann, Chairman

**Members Absent**

**Agenda**

Original Agenda – Attachment 1

**Request to Speak**

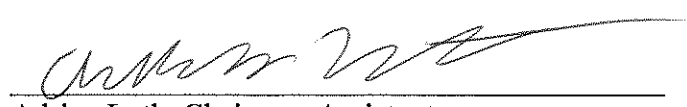
Report – Attachment 2

**Presentations**

<b><u>Name</u></b>	<b><u>Organization</u></b>	<b><u>Attachments (Handouts)</u></b>
Lanny Hair	Independent Ins. Agents & Brokers Of AZ.	3

**Committee Action**

<b><u>Bill</u></b>	<b><u>Action</u></b>	<b><u>Vote</u></b>	<b><u>Attachments</u></b> (Summaries, Amendments, Roll Call, Attendance)
HB2002	DP	5-2-0-1	4, 5
HB2129	DP	5-3-0-0	6, 7
HB2144	DP	7-0-0-1	8, 9
HB2188	DP	8-0-0-0	10, 11
HB2238	DP	7-0-1-0	12, 13
Committee Attendance			14

  
\_\_\_\_\_  
Adrian Luth, Chairman Assistant  
January 27, 2016

(Original attachments on file in the Office of the Chief Clerk; video archives available at <http://www.azleg.gov>)

COMMITTEE ON INSURANCE  
Wednesday, January 27, 2016

CONV: 10:08 A.M.  
Adj: 11:44 A.M.

REVISED - 01/21/16

REVISED - 01/21/16

REVISED - 01/21/16

ARIZONA HOUSE OF REPRESENTATIVES  
Fifty-second Legislature - Second Regular Session

REGULAR MEETING AGENDA

**COMMITTEE ON INSURANCE**

DATE Wednesday, January 27, 2016

ROOM HHR 4

TIME 10:00 A.M. NOTE TIME  
CHANGE

Members:

Mr. Coleman  
Mr. Larkin  
Mr. Lovas

Ms. McCune Davis  
Ms. Otondo  
Mr. Robson

Mr. Livingston, Vice-Chairman  
Ms. Fann, Chairman

1. Introduction of Members and Staff
2. Consideration of Bills

Bills	Short Title	Strike Everything Title
HB2002	<u>DP</u> insurance premium tax reduction (Livingston)	
	<u>5-2-0-1</u> INS, RULES	
HB2129	<u>DP</u> uninsured and underinsured motorist coverage (Fann: Cobb, Lovas)	
	<u>6-3-0-0</u> INS, RULES	
HB2144	<u>DP</u> genetic testing; informed consent (Coleman, Townsend: Bowers, et al)	
	<u>7-0-0-1</u> INS, RULES	

**ADDENDUM #1 - 01/21/16**

HB2188	<u>DP</u> insurance; risk management; solvency assessment (Fann)	
	<u>8-0-0-0</u> INS, RULES	
HB2238	<u>DP</u> insurance; identity theft group policies (Fann)	
	<u>7-0-1-0</u> INS, RULES	

**ORDER OF BILLS TO BE SET BY THE CHAIRMAN**

AL  
1/21/16

People with disabilities may request reasonable accommodations such as interpreters, alternative formats, or assistance with physical accessibility. If you require accommodations, please contact the Chief Clerk's Office at (602) 926-3032, TDD (602) 926-3241.

# Information Registered on the Request to Speak System

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*House Insurance (1/27/2016)*

## **HB2002, insurance premium tax reduction**

### **Testified in support:**

Michael Thomas, representing self

### **Support:**

David Childers, FARMERS INSURANCE GROUP OF COMPANIES, Geico Insurance, Nationwide Insurance Co., Liberty Mutual Insurance Co., PROPERTY CASUALTY INSURERS ASSOC OF AMERICA; Susan Cannata, COPPERPOINT MUTUAL INSURANCE CO DBA SCF ARIZONA; Kerry L. Hayden, FARMERS INSURANCE GROUP OF COMPANIES; J. Michael Low, Attorney, Prudential & American Council Of Life Insurers; Jim Bennett, representing self; Garrick Taylor, Arizona Chamber Of Commerce And Industry; Amanda Rusing, American Insurance Association; David Ford, representing self; Paul Ford, representing self; Jim Hundman, representing self; David Sewell, representing self; Lars Hansen, representing self; Connie McAdams, representing self; Judy Woertz, representing self; Chance Meeks, representing self; Howard Darby, representing self; Barry Cook, representing self; Carmelo Alvarez, representing self; ronald blau, representing self; Ginger Sharp, representing self; Michael Klein, representing self; Michael Strati, representing self; Don Isaacson, STATE FARM INSURANCE COMPANIES; Germaine Marks, PRUDENTIAL FINANCIAL INC; Mike Huckins, GREATER PHOENIX CHAMBER OF COMMERCE

### **Neutral:**

Stephen Briggs, representing self; Scott Greenberg, representing self

### **Oppose:**

Craig McDermott, representing self; Karen McLaughlin <https://apps.azleg.gov/Account/Register>, representing self; Erica Sussman, representing self; Zaida Dedolph, representing self; Joanna Marroquin, representing self; Sam Richard, PROTECTING ARIZONA'S FAMILY COALITION; Jeremy Arp, NATIONAL ASSOCIATION OF SOCIAL WORKERS, ARIZONA CHAPTER

### **All Comments:**

Craig McDermott, Self: Reducing state revenue before the budget picture has stabilized is irresponsible, at best.; J. Michael Low, Prudential & American Council Of Life Insurers: Prudential, ACLI; Jim Bennett, Self: Self; Paul Ford, Self: Self; David Sewell, Self: Self; Lars Hansen, Self: Self; Connie McAdams, Self: Self; Judy Woertz, Self: Self; Chance Meeks, Self: self; Howard Darby, Self: Self; Carmelo Alvarez, Self: Self; ronald blau, Self: Self; Ginger Sharp, Self: Self; Michael Klein, Self: Self; Michael Strati, Self: Self; Stephen Briggs, Self: Scott Greenberg would be happy to provide any technical feedback on behalf of the Department of Insurance.; Zaida Dedolph, Self: This bill would lead to a reduction in revenues. At a time when our state is still recovering from the housing crisis, it is premature to take measures that would lead a long term reduction in revenues.; Scott Greenberg, Self: Available to respond to questions.; Sam Richard, PROTECTING ARIZONA'S FAMILY COALITION: This bill would lead to a reduction in revenues. At a time when our state is still recovering from the housing crisis, it is premature to take measures that would lead a long term reduction in revenues.; Jeremy Arp, NATIONAL ASSOCIATION OF SOCIAL WORKERS,

ARIZONA CHAPTER: This bill would lead to a reduction in revenues. At a time when our state is still recovering from the housing crisis, it is premature to take measures that would lead a long term reduction in revenues.

## **HB2129, uninsured and underinsured motorist coverage**

### **Testified in support:**

Kerry L. Hayden, FARMERS INSURANCE GROUP OF COMPANIES; Lanny Hair, Independent Ins. Agents & Brokers Of Az

### **Testified as opposed:**

Barry Aarons, AZ TRIAL LAWYERS ASSOCIATION

### **Support:**

David Childers, PROPERTY CASUALTY INSURERS ASSOC OF AMERICA; Susan Cannata, COPPERPOINT MUTUAL INSURANCE CO DBA SCF ARIZONA; David Childers, FARMERS INSURANCE GROUP OF COMPANIES, PROPERTY CASUALTY INSURERS ASSOC OF AMERICA; J. Michael Low, Attorney, ALLSTATE INSURANCE CO, American Family Insurance; Jim Bennett, representing self; Amanda Rusing, American Insurance Association; Donna Kohlhasse, representing self; Thomas Tatro, representing self; Paul Ford, representing self; Jim Hundman, representing self; David Ford, representing self; Judy Woertz, representing self; Connie McAdams, representing self; Howard Darby, representing self; David Sewell, representing self; Lars Hansen, representing self; Michael Thomas, representing self; Chance Meeks, representing self; Barry Cook, representing self; Carmelo Alvarez, representing self; ronald blau, representing self; Ginger Sharp, representing self; Michael Klein, representing self; ronald blau, representing self; Jeff Sandquist, Independent Insurance Agents & Brokers Of Arizona; Michael Strati, representing self

### **All Comments:**

David Childers, PROPERTY CASUALTY INSURERS ASSOC OF AMERICA: Correction of prior entry error.; David Childers, FARMERS INSURANCE GROUP OF COMPANIES, PROPERTY CASUALTY INSURERS ASSOC OF AMERICA: Clarifying request to speak and clients represented; Jim Bennett, Self: Self; Paul Ford, Self: Self; Judy Woertz, Self: Self; Connie McAdams, Self: Self; Howard Darby, Self: Self; Lars Hansen, Self: Self; Chance Meeks, Self: self; Carmelo Alvarez, Self: Self; ronald blau, Self: Self; Ginger Sharp, Self: Self; Michael Klein, Self: Self; ronald blau, Self: Self; Michael Strati, Self: Self

## **HB2144, genetic testing; informed consent**

### **Support:**

Jason Bezozo, Senior Program Director, Government Relations, BANNER HEALTH ARIZONA; Rory Hays, Arizona Nurses Association; Steven Moortel, BANNER HEALTH ARIZONA; Russell Smoldon, PHOENIX CHILDREN'S HOSPITAL; Annie Mooney, PHOENIX CHILDREN'S HOSPITAL; shirley gunther, DIGNITY HEALTH

## **HB2188, insurance; risk management; solvency assessment**

### **Testified in support:**

J. Michael Low, Attorney, Prudential & American Council Of Life Insurers; Germaine Marks, PRUDENTIAL FINANCIAL INC

### **Support:**

Susan Cannata, COPPERPOINT MUTUAL INSURANCE CO DBA SCF ARIZONA

## **HB2238, insurance; identity theft group policies**

### **Support:**

James Hamilton, LIFELOCK; joaquin bordallo, representing self

### **All Comments:**

joaquin bordallo, Self: The internet (administration) forgot their specific FBI

PLEASE COMPLETE THIS FORM FOR THE PUBLIC RECORD



HOUSE OF REPRESENTATIVES

Please PRINT Clearly

Committee on Insurance Bill Number 2129  
Date January 27, 2016 ☐ Support ☒ Oppose ☐ Neutral  
Name Mick Levin Need to Speak? ☐ Yes ☐ No If necessary  
Representing self Are you a registered lobbyist? No  
Complete Address 301 E. Bethany Home Rd, Ste B-140 Phoenix, AZ 85012  
E-mail Address micklevin@mlplc.com Phone Number 602-263-1233  
Comments: \_\_\_\_\_

\*\*\*FIVE-MINUTE SPEAKING LIMIT\*\*\*

PLEASE COMPLETE THIS FORM FOR THE PUBLIC RECORD



HOUSE OF REPRESENTATIVES

Please PRINT Clearly

Committee on INS Bill Number # 2129  
Date 1/27/16 ☒ Support ☐ Oppose ☐ Neutral  
Name LANNY HAIR Need to Speak? ☒ Yes ☐ No  
Representing Ind-Ins Agents AZ Are you a registered lobbyist? Yes  
Complete Address 333 EAST Flower st / PHX  
E-mail Address LANNYHAIR@IABAZ.com Phone Number 956-1851  
Comments: \_\_\_\_\_

\*\*\*FIVE-MINUTE SPEAKING LIMIT\*\*\*

PLEASE COMPLETE THIS FORM FOR THE PUBLIC RECORD



HOUSE OF REPRESENTATIVES

Please PRINT Clearly

Committee on Insurance Bill Number 2238  
Date 1/27/16 ☒ Support ☐ Oppose ☐ Neutral  
Name Carly Fleege Need to Speak? ☒ Yes ☐ No  
Representing LifeLock Are you a registered lobbyist? yes  
Complete Address 822 N 5th Ave, Phoenix 85003  
E-mail Address carly@hciaz.biz Phone Number 602-910-0936  
Comments: \_\_\_\_\_

\*\*\*FIVE-MINUTE SPEAKING LIMIT\*\*\*

COMPANY NAME: \_\_\_\_\_

## **UNINSURED AND UNDERINSURED MOTORIST COVERAGE** **SELECTION FORM** 2129

### **DO NOT SIGN UNTIL YOU READ**

You have a legal right to purchase *both* Uninsured and Underinsured Motorist coverages with the proposed automobile liability policy. **THESE COVERAGES PROTECT YOU, YOUR FAMILY AND YOUR PASSENGERS. LIABILITY COVERAGE DOES NOT IN MOST CASES.**

Uninsured motorist insurance provides protection for bodily injuries caused by a negligent motorist who has no insurance. Underinsured motorist coverage provides protection if the negligent motorist does not have enough liability insurance to pay for the injuries caused. For a more detailed explanation of these coverages, refer to your policy. This policy will provide Uninsured/Underinsured coverage in the same amount as the policy's Bodily Injury Liability Limit, unless you select a lower amount or no coverage, as stated in this notice.

You have a right to purchase both Uninsured Motorist coverage and Underinsured Motorist coverage in any amount from \$30,000 single limit (or \$15,000/\$30,000 split limits) up to your policy's liability limit, or you may reject the coverage entirely. Neither limit may exceed your liability coverage limits for Bodily Injury.

Your Bodily Injury Limit on the policy: \_\_\_\_\_

Options available for Uninsured and Underinsured Motorist coverages:

<b><u>Uninsured Motorist Liability</u></b>				<b><u>Underinsured Motorist Liability</u></b>			
Accept (Initial)	Reject (Initial)	Limit Of Liability	Premium	Accept (Initial)	Reject (Initial)	Limit Of Liability	Premium
_____	_____	\$ _____	\$ _____	_____	_____	\$ _____	\$ _____
_____	_____	\$ _____	\$ _____	_____	_____	\$ _____	\$ _____
I do not wish to purchase <u>UN</u> insured motorist coverage: _____ (initial)				I do not wish to purchase <u>UNDER</u> insured motorist coverage: _____ (initial)			

I understand and agree that selection of any of the above options applies to my liability insurance policy and future renewals or replacements of such policy which are issued at the same Bodily Injury Liability Limits. If I decide to select another option at some future time, I must let the Company know in writing.

### **DO NOT SIGN UNTIL YOU READ**

Signed: \_\_\_\_\_ Date: \_\_\_\_\_  
(Named Insured)

Attached to application dated: \_\_\_\_\_

original - insurance company

copy - insured/applicant

copy - agent/broker file

EDITION DATE 7/98

Edition: (1/03)

**ATTACHMENT** 3





# HOUSE OF REPRESENTATIVES

HB 2002

insurance premium tax reduction

Prime Sponsor: Representative Livingston, LD 22

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X Committee on Insurance

Caucus and COW

House Engrossed

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## OVERVIEW

HB 2002 adjusts the tax rate reductions on all insurance premiums except fire, health service, and disability insurance.

## PROVISIONS

1. Modifies the insurance premium tax rate reductions for all other insurance as follows:
  - a. For Calendar Year (CY) 2016 from 1.99% to 1.95%,
  - b. For CY 2017 from 1.98% to 1.90%,
  - c. For CY 2018 from 1.95% to 1.85%,
  - d. For CY 2019 from 1.92% to 1.80%,
  - e. For CY 2020 from 1.89% to 1.75%,
  - f. For CY 2021 from 1.86% to 1.70% and each CY thereafter.
2. Continues the current insurance premium tax rate on fire insurance, health care service, and disability insurance.

## CURRENT LAW

Pursuant to A.R.S. § 20-224 insurers are required to file a report with the Director of the Department of Insurance showing total direct premium income from policy membership and all other considerations for insurance from all classes of business on or before March 1 of each year. Additionally, each insurer shall pay to the director for deposit a tax on certain net insurance premiums at the following rates:

- Fire Insurance
  - On property located in a city or town certified by the state fire marshal for utilizing the services of a private fire company, the rate is .66%.
  - For all other fire insurance premiums, the rate is 2.2%.
- Health care service plans
  - As prescribed by statute, the rate is 2%.
- Disability Insurance
  - The rate is 2%.
- Insurance premium tax rate for all other insurance is as follows:
  - 1.99% for Calendar Year (CY) 2016,
  - 1.98% for CY 2017,
  - 1.95% for CY 2018,
  - 1.92% for CY 2019,
  - 1.89% for CY 2020,
  - 1.86% for CY 2021,

## **HB 2002**

- 1.83% for CY 2022,
- 1.80% for CY 2023,
- 1.77% for CY 2024,
- 1.74% for CY 2025,
- 1.70% for CY 2026 and each CY thereafter.

### **ADDITIONAL INFORMATION**

The legislature decreased the insurance premium tax rates incrementally over a period of 10 years as enacted by Laws of 2015, Chapter 220.

**ARIZONA HOUSE OF REPRESENTATIVES**  
**Fifty-second Legislature - Second Regular Session**

**ROLL CALL VOTE**

COMMITTEE ON \_\_\_\_\_ INSURANCE \_\_\_\_\_ BILL NO. HB 2002

DATE January 27, 2016 MOTION: DP

	PASS	AYE	NAY	PRESENT	ABSENT
Mr. Coleman		X			
Mr. Larkin	X	X			
Mr. Lovas		X			
Ms. McCune Davis			X		
Ms. Otondo			X		
Mr. Robson					X
Mr. Livingston, Vice-Chairman		X			
Ms. Fann, Chairman		X			
		5	2	0	1

APPROVED:

Karen Fann, Chairman  
KAREN FANN, Chairman  
DAVID LIVINGSTON, Vice-Chairman

Adrian M.  
COMMITTEE SECRETARY

ATTACHMENT 5

ATTACHMENT 5



# HOUSE OF REPRESENTATIVES

HB 2129

uninsured and underinsured motorist coverage

Prime Sponsor: Representative Fann, et al., LD 1

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X Committee on Insurance

Caucus and COW

House Engrossed

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## OVERVIEW

HB 2129 asserts an insurance producer's offering of Uninsured Motorist (UM) and Underinsured Motorist (UIM) coverage satisfies the insurance producer's standard of care in offering and explaining the nature and applicability of coverage.

## PROVISIONS

1. Asserts an insurance producer's offering of UM/UIM coverage satisfies the insurance producer's standard of care in offering and explaining the nature and applicability of coverage.
2. States the insured's selection of limits or rejection of coverage constitutes the insured's final decision in purchasing or rejecting the coverage.
3. Stipulates the final decision to purchase or reject coverage may not be contradicted by evidence of any prior communication regarding the desire to purchase the coverage.
4. Contains a legislative intent clause.

## CURRENT LAW

Pursuant to A.R.S. § 20-259.01, every insurer writing automobile liability insurance must offer the insured UM and UIM coverage which extends to and covers all persons insured under the policy. UM covers any amount up to the liability limits for bodily injury or death contained within the policy but not less than the limits prescribed in statute. UIM covers any amount authorized by the insured up to the liability limits for bodily injury or death contained within the policy. Additionally, an insurer writing automobile liability insurance must offer UM and UIM insurance to owners and operators of motor vehicles that are used as public, livery conveyances, rentals, or business vehicles that are used to transport property or equipment.

**ARIZONA HOUSE OF REPRESENTATIVES**  
**Fifty-second Legislature - Second Regular Session**

**ROLL CALL VOTE**

COMMITTEE ON \_\_\_\_\_ INSURANCE \_\_\_\_\_ BILL NO. HB 2129

DATE January 27, 2016 MOTION: DP

	PASS	AYE	NAY	PRESENT	ABSENT
Mr. Coleman		X			
Mr. Larkin	X		X		
Mr. Lovas		X			
Ms. McCune Davis			X		
Ms. Otondo			X		
Mr. Robson		X			
Mr. Livingston, Vice-Chairman		X			
Ms. Fann, Chairman		X			
		5	3	0	0

APPROVED:

Karen Fann

KAREN FANN, Chairman

DAVID LIVINGSTON, Vice-Chairman

Arthur W.

COMMITTEE SECRETARY

ATTACHMENT 7

ATTACHMENT



# HOUSE OF REPRESENTATIVES

HB 2144

genetic testing; informed consent

Prime Sponsor: Representative Coleman, et al., LD 16

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X Committee on Insurance

Caucus and COW

House Engrossed

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## **OVERVIEW**

HB 2144 permits a person who is authorized to consent for a genetic test to release the results of said test.

## **PROVISIONS**

1. Allows a person who is authorized to consent for a genetic test to release the results of said test.
2. Requires a person to receive the appropriate written informed consent prior to ordering a genetic test.
3. Makes technical changes.

## **CURRENT LAW**

Pursuant to A.R.S. § 20-448.02, a person is prohibited from requiring the performance of or performing a genetic test without first receiving written consent from the test subject. If the test subject lacks the ability to consent, the written consent must be obtained from an individual who is authorized to consent for the test subject. Written consent must be in a form as prescribed by the director of the Department of Insurance.

Additionally, the results of a genetic test performed are privileged and confidential and may not be released without the express consent of the test subject.

**ARIZONA HOUSE OF REPRESENTATIVES**  
**Fifty-second Legislature - Second Regular Session**

**ROLL CALL VOTE**

COMMITTEE ON INSURANCE BILL NO. HB 2144

DATE January 27, 2016 MOTION: DP

	PASS	AYE	NAY	PRESENT	ABSENT
Mr. Coleman		X			
Mr. Larkin					X
Mr. Lovas	X	X			
Ms. McCune Davis		X			
Ms. Otondo		X			
Mr. Robson		X			
Mr. Livingston, Vice-Chairman		X			
Ms. Fann, Chairman		X			
		7	0	0	1

APPROVED:

Karen Fann, Chairman  
KAREN FANN, Chairman  
DAVID LIVINGSTON, Vice-Chairman

Adrian V...  
COMMITTEE SECRETARY

ATTACHMENT 9



# HOUSE OF REPRESENTATIVES

HB 2188

insurance; risk management; solvency assessment

Prime Sponsor: Representative Fann, LD 1

X Committee on Insurance

Caucus and COW

House Engrossed

## OVERVIEW

HB 2188 adopts the Own Risk and Solvency Assessment (ORSA) model law as developed by the National Association of Insurance Commissioner's (NAIC) requiring an insurer to maintain a risk management framework, conduct an ORSA, and file an ORSA summary report.

## PROVISIONS

### *ORSA*

1. Requires an insurer to maintain a risk management framework, unless the insurer is a member of an insurance group which maintains a risk management framework applicable to the insurer's operations.
2. Directs an insurer or the insurance group to conduct an ORSA at least annually and at any time there are significant changes to the risk profile of the insurer or the insurance group.
3. Requires an insurer or the insurance group, at the request of the director of the Department of Insurance (Director) but not more than once each year, to submit an ORSA summary report.
  - a. The insurer must submit the summary report to the lead state director or commissioner of the insurance group to which the insurer is a member.
4. Specifies the summary report must include a signature of the insurer or insurance group's chief risk officer attesting that the insurer applied the enterprise risk management process and submitted a copy of the summary report to the insurer's appropriate governing committee.
5. Stipulates that an insurer complies with the reporting requirements by providing the most recent and substantially similar report to the director of another state or regulator of a foreign jurisdiction if that report contains information that is comparable to the ORSA guidance manual. Reports must be translated to English as applicable.
6. States the summary report must be prepared consistent with the ORSA guidance manual and made available upon the Director's request.
7. Asserts the review of the summary report must be made using similar procedures currently used in examining multistate or global insurers or insurance groups.

### *Exemption*

8. Provides an exemption if both apply:
  - a. The insurer has annual direct written and assumed premium less than \$500 million, and
  - b. The insurance group has annual direct written and assumed premium less than \$1 billion.
9. Stipulates that if an insurer qualifies for the exemption and the insurance group does not qualify, the summary report must include every insurer within the insurance group.

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Second Regular Session

Insurance

ATTACHMENT 10



10. Stipulates that if an insurer does not qualify for the exemption but the insurance group qualifies, the only summary report to be submitted must be applicable to that insurer.
11. Permits an insurer to apply for a waiver from ORSA requirements and outlines the conditions for granting the waiver.
12. Authorizes the Director, aside from exemption status, to require an insurer to maintain a risk management framework, conduct an ORSA, and file an ORSA summary report:
  - a. Based on certain unique circumstances,
  - b. If the insurer has risk-based capital for a company action level event, deemed to be in hazardous financial condition, or exhibits qualities of a troubled insurer.
13. Stipulates an insurer who subsequently no longer qualifies for the exemption has one year to comply with the ORSA requirements.

*Confidentiality of ORSA documents*

14. Specifies the ORSA summary report, or other information relating to an ORSA, that is in the possession of, obtained by, or disclosed to the Director are considered proprietary and contain trade secrets.
15. Asserts documents relating to an ORSA are confidential and privileged and not subject to public record, subpoena, or discovery or admissible in private civil action.
16. States the Director may use documents relating to an ORSA for the furtherance of any regulatory or legal action as a part of the Director's official duties and may not make the document public without the written consent of the insurer.
17. States the Director, or anyone acting under the authority of the Director who receives documents relating to an ORSA, is not allowed or required to testify in any private civil action concerning any confidential ORSA-related documents.

*Miscellaneous*

18. Authorizes the Director to share ORSA-related documents with other state, federal and international regulatory agencies, NAIC, and with any third-party consultants designated by the Director.
19. Allows the Director to receive ORSA-related documents from regulatory officials of other foreign or domestic jurisdictions and from NAIC, and acknowledge the confidentiality of the documents.
20. Requires the Director to enter in written agreement with NAIC or a third-party consultant that do all of the following:
  - a. Specify procedures and protocols regarding the confidentiality and security of shared information.
  - b. Specify that ownership of information shared remains with the Director and to be used at the direction of the Director.
  - c. Prohibit the storing of information.
  - d. Require prompt notice be given to an insurer whose confidential information is subject to a request or subpoena for disclosure or production.
  - e. Require to consent to intervention by an insurer in any judicial action.
  - f. Provide the insurer's written consent of a third-party consultant involvement.

21. Asserts the sharing of information by the Director does not constitute a delegation of regulatory authority, and the Director is responsible for the administration, execution, and enforcement of the ORSA requirement.
22. Specifies a waiver of any applicable privilege or claim of confidentiality in the documents does not occur as a result of disclosure to the Director or as a result of sharing.
23. Asserts ORSA-related documents in the possession of NAIC or a third-party consultant are confidential and privileged, not considered public record, and not subject to subpoena or discovery in evidence in any private civil action.
24. States failure to submit an ORSA summary report, without just cause, results in a penalty of \$500 for each day's delay in filing, capped at \$100,000. Monies collected are deposited into the state General Fund.
  - a. The Director may reduce the penalty if the insurer demonstrates a financial hardship.
25. Define pertinent terms.
26. Contains a severability clause.
27. Contains an effective date of January 1, 2017.

**ADDITIONAL INFORMATION**

In 2011, NAIC adopted a new insurance regulation – an Own Risk and Solvency Assessment (ORSA). According to NAIC an ORSA is an internal process undertaken by an insurer of insurance group to assess the adequacy of its risk management and current and prospective solvency positions under normal and severe stress scenarios.

The Risk Management and Own Risk and Solvency Assessment Model Act went into effect January 2015 and is intended to provide direction and uniformity to identifying, assessing, monitoring, prioritizing, and reporting on material and relevant risk to insurers and insurance groups. ORSA will apply to any insurer that writes more than \$500 million of annual direct and assumed premium and insurance groups that collectively write more than \$1 billion of annual direct and assumed premium. Additionally, the model act establishes confidentiality provisions for ORSA-related information that address the sensitive nature of the information contained in the reports including for proprietary and trade secret information (America's Health Insurance Plans).

**ARIZONA HOUSE OF REPRESENTATIVES**  
**Fifty-second Legislature - Second Regular Session**

**ROLL CALL VOTE**

COMMITTEE ON \_\_\_\_\_ INSURANCE \_\_\_\_\_ BILL NO. HB 2188

DATE January 27, 2016 MOTION: DP

	PASS	AYE	NAY	PRESENT	ABSENT
Mr. Coleman		X			
Mr. Larkin		X			
Mr. Lovas		X			
Ms. McCune Davis		X			
Ms. Otondo		X			
Mr. Robson		X			
Mr. Livingston, Vice-Chairman		X			
Ms. Fann, Chairman		X			
		8	0	0	0

APPROVED:

Karen Fann, Chairman  
KAREN FANN, Chairman  
DAVID LIVINGSTON, Vice-Chairman

Committee Secretary  
COMMITTEE SECRETARY

ATTACHMENT 11



# HOUSE OF REPRESENTATIVES

HB 2238

insurance; identity theft group policies  
Prime Sponsor: Representative Fann, LD 1

X Committee on Insurance

Caucus and COW

House Engrossed

## OVERVIEW

HB 2238 establishes parameters for Identity Theft Group Insurance Policies (ITGIP).

## PROVISIONS

### *ITGIP: Eligible Groups*

1. Allows an insurer to sell ITGIP in this state, which must cover losses and expenses incurred due to a stolen identity event.
2. Permits an insurer to sell ITGIP to the following:
  - a. An employer or employer's trustee.
  - b. A labor union or labor union's trustee.
  - c. A trustee of a trust established by multiple employers or labor unions.
  - d. A sponsor.
  - e. An association or an association's trustees where members have the same occupation and have been in existence for at least two years.
  - f. A business that sells services related to stolen identity events.
  - g. A business or association that possesses personal identification information.
  - h. Any other entity that the director of the Department of Insurance determines is engaged in a common enterprise or has an economic or social relationship and the issuance of the policy would not be contrary to public interests.
3. States the eligible groups must consist of natural persons and may include an immediate family and household member.
4. Directs an insurer to treat all eligible groups of the same class in a like manner, with exception to businesses that sell products related to stolen identity events.

### *ITGIP: Premium and Cancellation*

5. States the group policyholder may pay the premium for ITGIP from monies contributed:
  - a. Wholly by the group policyholder,
  - b. Wholly by the group members, or
  - c. Jointly by the group policyholder and members.
    - Requires the policyholder to pay the premium for policies for businesses that possess personal identification information.
6. Enumerates the cancellation, nonrenewal, or conditional renewal of coverage requirements.
7. Authorizes a group policyholder to cancel a policy for any reason provided the insurer and each affected group member receives a 30 days' written notice.

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8. Stipulates a group policyholder is not required to give a notice if substantially similar coverage is obtained from another insurer without a lapse of coverage.
9. Stipulates a group member that sustains an identity theft loss prior to the effective date of the cancellation, nonrenewal, conditional renewal of a policy or certificate, the loss is covered under the policy.

### *Miscellaneous*

10. Defines pertinent terms.
11. Exempts the Department of Insurance from rulemaking for one year after the enactment date.

**ARIZONA HOUSE OF REPRESENTATIVES**  
**Fifty-second Legislature - Second Regular Session**

**ROLL CALL VOTE**

COMMITTEE ON INSURANCE BILL NO. HB 2238

DATE January 27, 2016 MOTION: DP

	PASS	AYE	NAY	PRESENT	ABSENT
Mr. Coleman		X			
Mr. Larkin		X			
Mr. Lovas		X			
Ms. McCune Davis				X	
Ms. Otondo		X			
Mr. Robson		X			
Mr. Livingston, Vice-Chairman		X			
Ms. Fann, Chairman		X			
		7	0	1	0

APPROVED:

  
KAREN FANN, Chairman  
DAVID LIVINGSTON, Vice-Chairman



COMMITTEE SECRETARY

ATTACHMENT 13

**ARIZONA STATE LEGISLATURE**  
 Fifty-second Legislature - Second Regular Session  
**COMMITTEE ATTENDANCE RECORD**

COMMITTEE ON INSURANCE

CHAIRMAN: Karen Fann VICE-CHAIRMAN: David Livingston

DATE	01/27 /16	/16	/16	/16	/16
CONVENED	10:08 A. m.	m	m	m	m
RECESSED					
RECONVENED					
ADJOURNED	11:44 A.M.				
MEMBERS					
Mr. Coleman	✓				
Mr. Larkin	✓				
Mr. Lovas	✓				
Ms. McCune Davis	✓				
Ms. Otondo	✓				
Mr. Robson	✓				
Mr. Livingston, Vice-Chairman	✓				
Ms. Fann, Chairman	✓				

✓ Present      --- Absent      exc Excused